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## MARXISM VERSUS SOCIALISM. II <sup>1</sup>

THERE is no necessary connection between the economic interpretation of history and socialism. A man may interpret the past in terms of economic cause and effect and yet be given to no speculations about the future, or he may be led to forecast an increasing individualism. It would obviously be inadmissible to call such an one a socialist. Until recently, nevertheless, every writer who interpreted history economically was taken and declared to be an orthodox disciple of socialism. This was no chance error, but rather a well-defined type of a mode of classification in which the popular mind habitually indulges. The popular mind, it is well to remember, does not dwell with the philosophers in their "marble temple shining on a hill," but in the muddy world of concrete personal experiences.<sup>2</sup> Systems of philosophy, or scraps of them, act upon the mind of the public only after they have become part and parcel of that tangle of experiences through which it has to find its way. In assorting and classifying theories the popular mind is guided not by logic but by experience. It perceives that certain theories, philosophical and literary, are set forth and defended by persons who hold certain social or political views; and by a process which may be described as "substitutional" it identifies the theories with the tendencies which they foster and subserve. Thus in Russia, for decades, the writers who defended "art for art's sake" were immediately recognized as political reactionaries, while every "realist" was assumed to be a liberal or a radical. Similarly in Germany, during the first half of the nineteenth century, "romanticism" stood for political conservatism, if not for reaction, while in Feuerbach's decade "naturalism" stood for political revolution and a humanitarian socialism. Similarly Marx's economic interpretation of history has come to stand for militant socialism.

<sup>1</sup> For the first part of this study see *POLITICAL SCIENCE QUARTERLY*, XXIII (June, 1908), 193-219.

<sup>2</sup> William James, *Pragmatism* (1907), pp. 21, 22.

Logically, these substitutions were and are indefensible. The connections between these theories and the practical ends which they were used to subserve was local or temporary. In England, for example, William Blake, who was certainly neither realistic nor naturalistic, who shared with German romanticists and Russian devotees of art for art's sake the love of the symbolic and mystic, inclined in his political theories to revolutionary socialism.<sup>1</sup> In England, "art for art's sake" was preached by William Morris, a socialist, and by Oscar Wilde, who saw in man's first disobedience man's original virtue, advocated the abolition of property, urged taking rather than begging, marked down all our values and considered our society to be bankrupt. Similarly, the economic interpretation of history has been divorced from socialism. Today, as Professor Seligman points out, "the writers who are . . . making the most successful application of the economic interpretation are not socialists at all."<sup>2</sup>

In their place and time, however, these popular classifications were true. The Russian literary men of the sixties who advocated art for art's sake represented a religious and political authoritarianism. On the other hand, the faithful description of the actual conditions of existence in Russia which the realists called for and supplied meant propaganda, primarily of discontent, ultimately of revolution. The German romanticists were conservatives or reactionaries; and Feuerbachian naturalism, according to Feuerbach himself, was intended to prepare the way for the reconstruction of the political and social order.<sup>3</sup> Similarly, the popular identification of the economic interpretation of history with socialism represented a correct appreciation of Marx's motives and of the practical bearing of the method as employed by him and his disciples.

It was for political reasons that Marx emigrated to France; it was for similar reasons that he was exiled from France; in Brussels he lived under the constant and suspicious supervision

<sup>1</sup> Cf. William Blake, *Poetical Works* (Rossetti's edition, 1890), p. 142. Regarding Blake as a "Liberty boy" and his attitude towards the Revolution, cf. Edwin J. Ellis, *The Real Blake* (London, 1907), pp. 162 *et seq.*

<sup>2</sup> Seligman, *The Economic Interpretation of History* (1902), p. 109.

<sup>3</sup> Ludwig Feuerbach, *Werke* (Leipzig, 1846), I, xiv, xv.

of the Belgian "administration of public safety." Is it to be assumed that he gave so much concern to the several governments because he was busily engaged in elaborating a scholarly method for historical research? Or is it to be assumed that a year after the hunger riots of the Silesian weavers, a year or two before the revolution of '48, he was taking a rest from all political activity, escaping the turmoil by giving himself up to the joys of pure theory?

Far from it. We see Marx and Engels speculating; but the axes upon which their speculations revolve are the social movement and the political revolution. Their literary activity is their political activity.<sup>1</sup> The economic interpretation was not the offspring of dispassionate research; it was conceived in minds saturated with ideas of social revolution. As early as 1845, at the Elberfeld gathering of communists, Engels, still a half-utopian so far as the future organization of society was concerned, argued for communism as an economic necessity and pictured the social revolution as economically unavoidable. "With the same certainty," Engels tells us, "with which from a given mathematical proposition a new one is deduced, with the same certainty we can deduce the social revolution from the existing social conditions and the principles of political economy."<sup>2</sup> Two years later Marx and Engels were writing the *Communist Manifesto*, the "fundamental proposition" of which is the economic interpretation of history.

The propaganda of the economic interpretation of history, of the "critical insight into the conditions, progress and general

<sup>1</sup> . . . "Man sieht daraus, wie der Wunsch, praktisch zu wirken, in erster Reihe diesen literarischen Plan beherrschte, den Marx und Engels für Jahr und Tag im Auge behalten haben." Aus dem literarischen Nachlass von Marx, Engels *etc.* (Stuttgart, 1902), II, 332.

<sup>2</sup> "Sie sehen also, meine Herren, auch im Einzelnen das bestätigt, was ich im Anfange allgemein, von der Konkurrenz überhaupt ausgehend, entwickelte—nämlich dass die unvermeidliche Folge unserer bestehenden sozialen Verhältnisse unter allen Bedingungen und in allen Fällen eine *soziale Revolution* sein wird. Mit derselben Sicherheit, mit der wir aus gegebenen mathematischen Grundsätzen einen neuen Satz entwickeln können, mit derselben Sicherheit können wir aus den bestehenden Verhältnissen und den Prinzipien der Nationalökonomie auf eine bevorstehende soziale Revolution schliessen." *Rheinische Jahrbücher zur gesellschaftlichen Reform*, herausgegeben von Hermann Püttmann, vol. i (Darmstadt, 1845), pp. 78, 79.

results of the actual social movement " " was Marx's chief activity during the years 1846-1848, and this activity was political. He was not conducting a historical seminar in Brussels; he was supplying the revolutionary army with a new revelation and was instilling into it a spirit of absolute confidence in the triumph of its cause. It was the future that concerned him; the past was a *pièce justificative*. An interpretation of history he called it, because to him, born as he was in the Hegelian school, past, present and future was one historical process.

It was Marx's economic interpretation of history, and not that of any other man, which attracted public attention; and in classifying the economic interpreters of history as socialists, the popular mind exhibited, as in other similar cases, a perfectly sound appreciation of both the psychological motive and the practical aim of the theory. But this classification also has proved to be temporary. Today, such is the irony of fate, the economic interpretation of history, while of great value to the historical student, is an unyielding and merciless steel trap in which so-called scientific socialism is caught and held.

#### IV

The socialistic state of Marx was not to be manufactured by any world-reformer. Socialism was to be a product of economic tendencies, and of these the most important was the concentration of production.

Anyone who is acquainted with the thought of the nineteenth century knows that the industrial changes that were in progress were very generally viewed with misgivings if not with apprehension. In the first half of the century, *i. e.* at the time when the doctrines of scientific socialism were formulated, the tall chimney, to use Schultze-Gaevernitz's expression,<sup>2</sup> was generally regarded as a warning finger—a *mene tekél* of impending revolution. The social effects of the introduction of machinery were too serious to be overlooked. The tendency towards industrial centralization and the social, economic and political aspects of this

<sup>1</sup> Marx, Herr Vogt (London, 1860), p. 35.

<sup>2</sup> Schultze-Gaevernitz, *The Cotton-Trade in England and on the Continent* (London, 1895), p. 164.

tendency were attracting the attention of many thoughtful men before Marx began to speak or write. What was drastically formulated by Marx as an unavoidable necessity had been previously suggested and discussed as a possibility. Constantin Pecqueur,<sup>1</sup> for example, had pointed out with remarkable clearness that the older methods of production could not compete with the modern factory, and that production on a large scale was so much cheaper that the centralization of industry was a matter of economic necessity.<sup>2</sup> Pecqueur had also raised the question: If production on a large scale has undoubted advantages, what is likely to happen to the small establishments? and had answered that they would be wiped out by cruel competition, and that the small producers would possibly themselves become proletarians. Socially and politically such a situation would reduce itself to a new industrial feudalism. The sole alternative which he saw was a centralized industry on democratic lines, based on copartnership and coöperation.<sup>3</sup>

<sup>1</sup> C. Pecqueur, *Économie sociale: Des intérêts du commerce de l'industrie et de l'agriculture, et de la civilisation en général, sous l'influence des applications de la vapeur* (2d edition, Paris, 1839). This work of Pecqueur was widely read and was "couronné par l'Institut de France."

<sup>2</sup> "Tout le monde sait qu'en effet, dans l'emploi de la force motrice à vapeur, pour obtenir le bas prix des produits et réaliser de grand bénéfices, il faut opérer sur *grande échelle*, employer de grands capitaux et un grand nombre d'ouvriers; en un mot, *produire en grand*. . . Point d'économie sans cela: c'est que le frais de premier établissement et d'entretien de deux machines à vapeur d'inégale puissance, ne sont pas proportionnés à leur degré d'inégalité. Ainsi il ne coûte pas le double pour l'acquisition d'une machine double en force; il ne faut pas deux chauffeurs au lieu d'un, deux fois plus d'espace pour la loger, deux fois plus de combustibles pour la chauffer, ni pour qu'elle fonctionne deux fois plus de temps." C. Pecqueur, *op. cit.*, I, 56, 57.

<sup>3</sup> "On peut très bien supposer que les sociétés anonymes ou en commandite par grosses actions, les propriétaires et les industriels très riches d'eux-mêmes, accaparent le travail des petits industriels, en les *tuant* par une concurrence démesurément inégale, et cruellement impitoyable; il peut en advenir que tout ce qui ne serait point capitalistes ou propriétaires de terre, aille se ranger petit à petit parmi le travailleurs prolétaires. . . ." *Ibid.* I, 396, 397.

"Ou la petite industrie disparaissant, les petits industriels seront les coassociés des grands établissements, coopérateurs de la production, et coparticipants aux bénéfices, selon son habilité, leur capital et leur travail; ou ils dégèneront en ouvriers salariés, en une foule de serfs travaillant au jour le jour dans les manufactures; en prolétaires, toujours pauvres, toujours sans avenir; et toutes les grandes industries seront monopolisées exclusivement par une féodalité industrielle." *Ibid.* II, 101.

Whether Pecquer influenced Marx is immaterial. The ideas expressed by the French economist were at the time more or less common property. Only the way in which Marx formulated them is important. For him it was not a question of a choice between industrial feudalism or industrial democracy. The present had but one road to travel; upon the future was the stamp of the inevitable. From his point of view there was no need to invent socialistic industrial schemes. Industry and agriculture would necessarily become thoroughly centralized and socialized. There would be no need to force the artisan, the small trader, the farmer into a socialistic scheme. "The small tradespeople, shopkeepers and retired tradesmen generally, the handicraftsmen and peasants—all these sink gradually into the proletariat,"<sup>1</sup> and the centralization of industry goes on. Nor is that to be the fate of the lower middle-class only. "Entire sections of the ruling classes are by the advance of industry precipitated into the proletariat."<sup>2</sup> To the question: Will socialism expropriate and abolish the hard-won private property of the small farmer? he responds: "There is no need to abolish that; the development of industry has to a great extent already destroyed it, and is still destroying it daily."<sup>3</sup>

Marxian socialism had profound contempt for utopias. Why should amateur schemes of an economic and social organization be elaborated, when capitalism's own mission was to organize and centralize the production of the commonwealth? No preaching of eternal justice can assemble scattered production, and there is no possibility of socialism without such economic centralization.

Sixty years have passed since Marx's *Manifesto* was published; it is therefore fair to inquire whether the economic changes that have occurred have justified his theories and expectations.

That a centralization of industry has taken place is an undeniable fact. Moreover, this centralization has gone further in this country than anywhere else in the world. Professor Seligman writes:

<sup>1</sup> Communist Manifesto (Kerr edition), p. 21.

<sup>2</sup> *Ibid.*, p. 26.

<sup>3</sup> *Ibid.*, p. 34.

According to the census of 1900 there were 185 combinations, representing 2040 plants and turning out products to the value of \$1,667,350, a little over 14 per cent of the total industrial output of the United States. But since 1900 the movement has progressed rapidly. In 1900 there were 16 combinations, each with a capital of over \$50,000,000 and with an aggregate capital of \$1,231,000,000. In 1907 . . . not only were there 27 such combinations with an aggregate capital three times as great (\$3,785,000,000), but a single combination now had a larger capital than the 16 combinations and about one-half as large as all the 185 combinations in 1900.<sup>1</sup>

The combination to which Professor Seligman refers is the United States Steel Corporation, an industrial consolidation which controls not less than 785 industrial plants. While the United States is generally regarded as the land of trusts *par excellence*, the growth of large industrial consolidations and combinations is very much in evidence both in England and on the continent of Europe. But the centralization of industry in recent years is by no means primarily due to purely technical conditions—to the development of the tool into the machine. Steam and machinery have certainly favored large-scale production, but there has been no such far-reaching centralization as the Marxian vision of future economic development presaged. The cotton industry of Great Britain, the history of which furnished so much material to the author of *Capital*, exhibited, as Bernstein has pointed out, only a very moderate concentration in the twenty-odd years following the publication of Marx's work. Here is a comparison of the data for 1868 as given by Marx with the data for 1890:

| COTTON INDUSTRY            | 1868       | 1890       | PERCENTAGE OF |      |
|----------------------------|------------|------------|---------------|------|
| Factories . . . . .        | 2,549      | 2,538      | decrease      | 0.43 |
| Power-looms . . . . .      | 379,329    | 615,714    | increase      | 62   |
| Spindles . . . . .         | 32,000,014 | 44,504,819 | "             | 39   |
| Persons employed . . . . . | 401,064    | 528,795    | "             | 32   |
| Average number per factory | 156        | 208        | "             | 33   |

<sup>1</sup>Seligman, *Principles of Economics* (3d edition, 1907), p. 342.

The other branches of the textile industry show, according to Bernstein, even less concentration.<sup>1</sup> In at least one branch of the textile industry, in weaving, the number of factories steadily increased: in 1870 they numbered 1658; in 1874, 1703; in 1878, 1765; in 1885, 1915; in 1890, 2015. In the textile industry as a whole, the number of establishments fluctuated as follows: in 1870 there were 6807; in 1874, 7394; in 1878, 7105; in 1885, 7465; in 1890, 7190.<sup>2</sup>

The development of the trust, therefore, can scarcely be regarded as the inevitable result of industrial technique. It is rather to be viewed as a counter-revolution against free competition. Free competition led persistently towards lower prices, overproduction and lower profits; the desire to check the ruinous results of free competition has led to trade agreements, pools, syndicates, combinations—to one form or another of what we call the trust. “After all,” writes Macrosty, “men are in business not to exhibit the ‘natural’ laws of economics but to make an income, and it is a poor consolation to a bankrupt to know that he has been overwhelmed by a stream of tendency.”<sup>3</sup>

Experience has further shown that trusts do not necessarily wipe out smaller concerns. In our everyday language we understand under trusts not only giant mergers and rigid industrial consolidations, but all sorts of industrial trade agreements, federations, pools, syndicates and associations formed for the purpose of maintaining prices. The looser federations are especially characteristic of Europe’s industrial development. So Macrosty sums up the tendency in the English iron industry by expecting “in no very remote future to see the iron industry governed by loose federations of great powers, each large firm belonging to a number of associations according to the variety of its products.”<sup>4</sup>

As a matter of fact, pools and trade associations often help to

<sup>1</sup> Bernstein, *Die Voraussetzungen des Sozialismus und die Aufgaben der Sozialdemokratie* (Stuttgart, 1899), p. 56.

<sup>2</sup> These data are taken from the *Statistical Abstract for the United Kingdom* (London, 1897), pp. 202, 203.

<sup>3</sup> Macrosty, *Trusts and the State* (1901), p. 152.

<sup>4</sup> Macrosty, *The Trust Movement in British Industry* (1907), p. 330.

maintain smaller industrial organizations. E. J. Smith, the promoter of the "Birmingham Alliances" which have proven so successful, has laid special stress on the protecting of the smaller concerns, saying:

The great advantage which a large capital gives must be retained as legitimate interest on capital only, instead of being given away for the purpose of flooding the markets with productions at selling-prices which cannot be charged by less fortunate firms without loss. Materials used in the process of manufacture have their fair average market values, which most makers have to pay. The purchasing of large quantities of material at one time, and to be paid for promptly, will no doubt make the buying-prices lower to the lucky capitalist, but whatever advantage is gained in this way should be regarded as interest on capital and retained.<sup>1</sup>

The more one studies the trusts, the less one is inclined to make sweeping generalizations. The types of combinations are so numerous and the policies of the individual combinations are so varied that only one general statement can be made with confidence, namely, that all trusts tend to organize to a greater or less degree their respective industries and to maintain steadier prices.

The social democrats of both continents, however, see in the American trust movement proof positive of the inerrancy of the Marxian forecast of economic development. Certain European socialist pamphlets convey the impression that the American manufacturing industry is thoroughly concentrated and organized, that the smaller producer is practically eliminated, and that the trusts are tending towards a trust of trusts. America therefore, at least technically and economically, is far ahead of all other countries on its way towards organized, centralized, socialized production.

In studying the report on *Manufactures* of the Twelfth Census, one is impressed by the number of small and middle-size industrial establishments of which the report takes cognizance. Here are the figures for 512,254 industrial establishments: <sup>2</sup>

<sup>1</sup> E. J. Smith, *The New Trade Combination Movement* (1899), p. 27.

<sup>2</sup> Twelfth United States Census (1900), *Manufactures*, part i, p. lxxiii.

|                           |         |                      |        |
|---------------------------|---------|----------------------|--------|
| No employees,             | 110,510 | 51 to 100 employees, | 11,663 |
| Under 5 "                 | 232,726 | 101 to 250 "         | 8,494  |
| 5 to 20 "                 | 112,138 | 251 to 500 "         | 2,809  |
| 21 to 50 "                | 32,408  | 501 to 1000 "        | 1,063  |
| Over 1,000 employees, 443 |         |                      |        |

The special census report of 1905 on *Manufactures* gives us a comparative table which shows, on the whole, a gradual tendency towards concentration, with the small producer in many industries holding his own. Indeed, the number of industrial establishments increased from 1890 to 1900 more rapidly than the number of wage-earners.<sup>1</sup>

|                           | 1890      | 1900      | INCREASE (PERCENTAGE) |
|---------------------------|-----------|-----------|-----------------------|
| Number of establishments, | 355,415   | 512,254   | 44.1                  |
| Number of wage-earners,   | 4,251,613 | 5,308,406 | 24.9                  |

Of course it is a fact that certain industries are centralized and organized on a national scale and are practically monopolies in the hands of a few persons. Such facts present serious problems. But we are more likely to find an advantageous solution of such problems by dealing with the facts as they are than by dealing with unverifiable "future" facts.

The industry of Europe is much more scattered and decentralized than that of the United States. According to the last German census, 4,770,669 out of about ten million wage-earners were employed in petty commercial and industrial establishments with one to five employees each.<sup>2</sup> In that country the independent artisans are far from being eliminated by the industrial process. In Prussia, in 1861, there were 534,556 masters and 558,321 apprentices; in 1900-1902 the independent masters numbered 679,323, with 559,738 journeymen (*Gesellen*) and 253,055 apprentices (*Lehrlinge*).<sup>3</sup> In commerce the small establishment is still more persistent than in industry. The German Empire counted:<sup>4</sup>

<sup>1</sup> Special Census Report, *Manufactures*, 1905, part i, p. xxxvi.

<sup>2</sup> Sombart, *Sozialismus und soziale Bewegung* (6te Auflage, Jena, 1908), p. 84.

<sup>3</sup> J. Wernicke, *Kapitalismus und Mittelstandspolitik* (Jena, 1907), p. 134.

<sup>4</sup> *Ibid.*, p. 240.

| COMMERCIAL ESTABLISHMENTS   | 1882    | 1895    |
|-----------------------------|---------|---------|
| Without employees . . . . . | 429,825 | 454,540 |
| With 1-5 " . . . . .        | 246,413 | 450,913 |
| " 6-50 " . . . . .          | 26,531  | 49,271  |
| " over 50 " . . . . .       | 463     | 960     |

Such is the state of concentration in German industry and commerce. Let us now consider the Marxian doctrine and the facts regarding concentration in agriculture.

The attitude of Marx and of Engels towards the agricultural population was consistently unfriendly. In their first great work the fathers of scientific socialism praise capitalism for rescuing "a considerable part of the population from the idiocy of rural life."<sup>1</sup> In the second part of the third volume of *Capital* Engels expresses the hope that the virgin soil of the Russian steppes and American prairies may still ruin Europe's landlords and peasantry.<sup>2</sup> The reason for this attitude is obvious. On the one hand socialist production is technically impossible unless scattered agriculture is concentrated; on the other hand the socialistic propaganda encounters in the peasant proprietor its most conservative and most obstinate foe, against whose will no social reconstruction of society is conceivable. In a discussion of the situation in France, Engels admits that no social revolution is possible without the backing of the peasants.<sup>3</sup>

The Marxian theory of course declares that small farming, like every petty industry, is doomed. This we learn from the *Communist Manifesto*; and the same information is given in the later writings of Marx and Engels and in those of their official commentators. Thus we read in *Capital*:

<sup>1</sup> Marx and Engels, *The Communist Manifesto*, p. 19.

<sup>2</sup> "Glücklicher Weise ist noch lange nicht alles Steppenland in Bebauung genommen; es ist noch übrig genug vorhanden um den ganzen europäischen grossen Grundbesitz zu ruiniren und den kleinen obendrein." Marx, *Das Kapital* (Hamburg, 1894), vol. iii, part ii, p. 260.

<sup>3</sup> "In einem Punkt haben unsere französische Genossen unbedingt Recht: gegen den Kleinbauer ist in Frankreich keine dauernde Umwälzung möglich." Fr. Engels, "Die Bauernfrage in Frankreich und Deutschland," *Die neue Zeit*, 1895, I, 301.

In the sphere of agriculture, modern industry has a more revolutionary effect than elsewhere, for this reason, that it annihilates the peasant, that bulwark of the old society, and replaces him by the wage laborer. Thus the desire for social changes and the class antagonisms are brought to the same level in the country as in the towns.<sup>1</sup>

In *Der Vorbote*, the party organ of the International, Marx's ardent follower, Johann Philipp Becker, declared, in large print, soon after the appearance of *Capital*, that the omnipotence of capital, the influence of science, the tendencies of the times and the interest of society as a whole had irrevocably and mercilessly condemned small-scale agriculture to slow but inevitable death.<sup>2</sup> This attitude was characteristic of the whole Marxian wing of the International. It was entirely in keeping with the Marxian doctrine, which may be summed up in the equation: small farming stands in the same relation to centralized agriculture as the hand-loom to the power-loom in industry.<sup>3</sup>

The attitude of Marxism towards the land question did not change with the passing of the International. We find the same doctrine, and even the same wording of the doctrine, in Liebknecht's *Grund und Bodenfrage*, which for years served as a catechism for socialist agitation among the German peasantry. The central assertion of this booklet is that the small agriculturist is doomed.<sup>4</sup> The doctrine is set forth today in every Marx-

<sup>1</sup> Marx, *Capital* (Fourth English Edition, London, 1891), I, 513.

<sup>2</sup> "Die kleinbäuerliche Bewirtschaftung ist deshalb durch die Allmacht des Kapitals, durch den Einfluss der Wissenschaft, den Gang der Thatsachen und das Interesse der Gesamtgesellschaft unwiderruflich und ohne Gnade zum allmähigen Tode verurteilt." *Der Vorbote*, December, 1869, p. 181.

<sup>3</sup> "Die kleine Bauernwirtschaft steht im demselben Verhältnis zur modernen grossen Agrikultur, wie die Handspinnerei und Weberei zur Maschinespinnerei und Weberei." J. Georg Eccarius, *Eines Arbeiters Widerlegung der nationökonomischen Lehren John Stuart Mills* (Hottingen-Zurich, 1888), p. 52. This booklet of Eccarius was revised by Marx and is consequently an authorized expression of his views. On page 57 of the same pamphlet one reads: "Die kleine Bauernwirtschaft ist politisch, sozial und ökonomisch gerichtet. Sie hat sich nirgends bewährt und kann sich nirgends bewähren als zuverlässiger, schritthaltender Zeitgenosse der modernen Industrie und des sozialen Fortschritts. Sie ist das fünfte Rad am Wagen des politisch-sozialen Fortschritts, das Bleigewicht, welches die Arbeiterbewegung in Frankreich wie anderswo auf dem Kontinent paralyisiert."

<sup>4</sup> W. Liebknecht, *Die Grund- und Bodenfrage* (Leipzig, Verlag der Genossen-

ian social-democratic program. The program of the German Social Democratic party begins with the well-known sentence:

The economic development of bourgeois society leads by natural necessity to the downfall of the small industry, whose foundation is formed by the worker's private ownership of his means of production. It separates the worker from his means of production and converts him into a propertyless proletarian, while the means of production become the monopoly of a relatively small number of capitalists and large landowners.

The capitalist and the large landowner are thus put into one class, and small industry, whether industrial or agricultural, into another class, predestined to be destroyed.

Let us turn now to the leading contemporary exponent of orthodox Marxism, the official interpreter of the German party program, Karl Kautsky. He also admits that it is useless to try to make socialists out of real peasants. "Peasants who feel that they are not proletarians but true peasants, are not only not to be won over to our cause but belong to our most dangerous ad-

schaftsbuchdruckerei, 1874). The pamphlet ends (p. 128) with the words: "Kurz: Der Dampfpflug wird den Ackerbau ebenso revolutioniren, wie der Dampfstuhl und die Spinnmaschine die Industrie revolutionirt haben—er vernichtet die Kleinproduktion." The important fact is not that the booklet was in great vogue but that its position was strictly Marxian. The critic of Marx may truly observe that here is a doctrine which had no basis of facts whatsoever and no shadow of justification. But the greater was the faith with which this theory was received. The experiences of 1848 were fresh in men's memories, and the alternative suggested by the outcome of the French disturbances was that either the social revolution or the peasant was doomed. The socialists chose the latter interpretation. Liebknecht frankly explains: "Wir *brauchen* die Landarbeiter und Kleinbauern, soll unser Ringen nicht ein hoffnungsloses sein. Der unheilvolle Gegensatz zwischen Stadt und Land, der bisher jede freiheitliche Bewegung gehemmt, vereitelt hat, muss aufhören. Das warnende Exempel Frankreichs ist nicht an uns verloren. Am 24 Februar 1848 stürzte Paris, die *Stadt*, den Thron des korrupten Bürgerkönigs, und neun Wochen später schickte das *Land* eine reaktionäre Nationalversammlung nach Paris, welche die neugegründete Republik untergrub, und die Juniinsurrektion zur Niederwerfung des sozialdemokratischen Industrieproletariats organisierte. Fünf und einen halben Monat nach der Junischlacht wählte das *Land* mit überwältigender Majorität Louis Bonaparte zum Präsidenten der Republik, und bereitete dadurch den Staatsstreich vor, welcher drei Jahre später die Republik vollends beseitigte, und Frankreich der bonapartistischen Räuberbande zu systematischer Ausplunderung überlieferte. Das *Land*, das sind die Bauern. Die französischen Bauern haben das Kaiserreich gemacht aus blinder Furcht vor dem städtischen Sozialismus." *Ibid.*, p. 103.

versaries.”<sup>1</sup> Economic tendencies, however, are wiping them out of existence. To promise any succor to the small-scale producer in industry or in agriculture is to feed him on illusions. Efforts to arrest the inevitable economic development will be fruitless; if they produce any results at all, these results will be injurious to the classes in whose behalf the efforts are made. Painful as the process may be, the peasant is bound to sink into the proletariat.<sup>2</sup>

Naturally enough this theory has aroused little enthusiasm in the agricultural districts; and neither in France nor in Germany have the socialists made any headway among the peasants. Realization of this fact has caused attempts to be made, both in France and in Germany, to make the socialist program more attractive to this class. The French Socialist Congress which met at Nantes, in September, 1894, and the German Social Democratic Convention (*Parteitag*) held at Frankfort, in October of the same year, adopted resolutions favoring protection of peasant interests. At the Frankfort Convention Dr. Schönlanck suggested that a different “lingo” be used in talking to the peasant. Socialistic doctrine should be administered to him in homœopathic doses, otherwise, this speaker feared, the medicine might kill the patient.<sup>3</sup>

<sup>1</sup> “Die Bauern, die sich nicht als Proletarier sondern als echte Bauern fühlen, sind für uns nicht nur nicht zu gewinnen, sie gehören zu unseren gefährlichsten Gegnern.” Karl Kautsky, “Das Erfurter Programm und die Landagitation”; *Die neue Zeit*, 1895, I, 280.

<sup>2</sup> “Die Sozialdemokratie *macht* nicht die ökonomische Entwicklung; die Verdrängung des Kleinbetriebs durch den Grossbetrieb wird ohne ihr Zuthun durch die Kapitalistenklasse aufs gründlichste besorgt. Allerdings hat sie keine Ursache sich dieser Entwicklung entgegenzustemmen. Aber die ökonomische Entwicklung aufhalten wollen, heisst keineswegs die wirklichen Interessen der Kleinbauern und Kleinbürger vertreten. Denn alle dahingehende Versuche müssen scheitern, sie können, soweit sie überhaupt zu einer Wirkung kommen, nur schaden, nicht nützen. Den Handwerkern und Bauern Massregeln in Aussicht stellen, durch welche ihre Kleinbetriebe lebensfähig gemacht werden, heisst keineswegs ihre Interessen vertreten, es heisst vielmehr Illusionen in ihnen wecken, die sich nie verwirklichen können und die sie vom rechten Wege zur besten Vertretung ihrer Interessen ablenken.” Karl Kautsky, *Das Erfurter Programm* in seinem grundsätzlichen Theil (2d edition, Stuttgart, 1892), p. 254.

<sup>3</sup> “Erreichen wir auf diesem Wege nichts anderes, als diese Bauernschaft zu neutralisiren, so haben wir genug gethan . . . Es darf nicht wieder so kommen wie

Such proposals and efforts are easily explicable from the opportunist point of view of the popular agitator, but they are not in harmony with the Marxian doctrine. The contradiction between that doctrine and the peasant program of the Frankfort and Nantes conventions was so glaring, that Kautsky expressed the situation quite accurately by saying that, while the socialists were still very far from capturing the peasants, the peasants had captured the socialists.<sup>1</sup> No less distinct was Engels's protest. To a French socialist, who was seeking his instruction and advice, he explained that the progress of capitalism was destroying peasant property absolutely; that there was no reason why the party should not endeavor to make the proletarianization of the peasantry less painful; but that to go further and to try to save the peasantry was to attempt the economically impossible, to sacrifice the principle, to become reactionary.<sup>2</sup> Of the same tenor was the last article of Engels in the *Neue Zeit*, already quoted. Large-scale production, he said, would run down the peasantry with their small farms just as a railroad train would

im Jahre 1848. Meine Freunde! Als die Pastete des Absolutismus geplatzt war, da hat die Reaktion den Bauern schleunigst Zugeständnisse gemacht und sie so gewonnen. Wir müssen verhüten dass die *nagelbeschlagenen Schuhe der Bauernsöhne sich gegen uns wenden, wir müssen sie neutralisieren, pazifizieren.* [Beifall]. . . . Mit den Landleuten müssen wir *Fraktur* reden. Wir müssen endlich einmal eine *praktische Agitation* treiben, nicht bloß die *graue Theorie* . . . Unsere revolutionäre Politik darf nicht in geschwollenen Kraftphrasen bestehen . . . Die Medizin des Sozialismus muss der Landbevölkerung in homöopathischen Dosen beigebracht werden, sonst bringt sie den Bauern um." Protokoll über die Verhandlungen des Parteitag der Sozialdemokratischen Partei Deutschlands, abgehalten zu Frankfurt am Main, 1894, p. 141.

<sup>1</sup>"Für diesen argen theoretischen Rückschritt ist nur *ein* Grund ersichtlich: die Rücksicht auf die Bauern. Noch haben wir sie nicht gepackt, aber sie haben bereits uns." *Die neue Zeit*, 1895, I, 281.

<sup>2</sup>"Die Entwicklung des Kapitalismus *vernichtet* unrettbar das kleinbäuerliche Grundeigenthum. Unsere Partei ist sich vollständig klar hierüber, aber sie hat durchaus keinen Anlass, diesen Process durch eigenes Eingreifen noch extra zu beschleunigen. Gegen richtig gewählte Massregeln die den Kleinbauern den unvermeidlichen Unter- gang weniger schmerzhaft machen sollen, lässt sich prinzipiell nichts einwenden; geht man weiter, will man den Kleinbauer permanent *erhalten*, so erstrebt man nach meiner Ansicht ökonomisch *Unmögliches*, opfert das Prinzip, wird *reaktionär*." This letter is reprinted from the *Vorwärts* in the proceedings of the Frankfort Convention, p. 151.

run down a wheel-barrow.<sup>1</sup> How strongly Engels felt on the subject is further shown by some of his recently published letters to the American socialist, Sorge. In one of these he characterizes the effort to win the peasants as a "confidence game" (*Bauernfängerei*) and declares that any attempt to protect them against taxes, usury and the great landholding interests is in the first place imbecile and secondly impossible.<sup>2</sup> His feelings were bound to be shared by everyone who understood the Marxian doctrine and was a "scientific" socialist. Some of the leading German socialists, like Schippel, did not hesitate to designate the socialist agrarian program as a bit of political charlatanism.<sup>3</sup> And the Frankfort Convention of 1895 disavowed most emphatically the agrarian program, because it promised to the peasantry the improvement of their conditions, which meant the strengthening of their property rights.<sup>4</sup>

The Convention of Frankfort adjourned; the German Social Democracy rested upon its reaffirmation of the Marxian doctrines, including the inevitable doom of the peasantry; but, by one of fate's little ironies, a census (the first since 1882) had been taken at the beginning of that very year, and while the discussions in Frankfort were in progress the statistical results of this census were being computed. To the Marxian theorists

<sup>1</sup> Engels, "Die Bauernfrage in Frankreich und Deutschland," *Die neue Zeit*, 1895, I, 303.

<sup>2</sup> "Auf dem Kontinent wächst mit den Erfolgen die Lust nach noch mehr Erfolg, und die Bauernfängerei im buchstäblichen Sinne wird Mode. Erst erklären die Franzosen in Nantes durch Lafargue nicht nur (was ich Ihnen geschrieben) das wir keinen Beruf haben, den Ruin der Kleinbauern den der Kapitalismus für uns besorgt, durch direktes Eingreifen unsererseits zu beschleunigen, sondern auch, man müsse den Kleinbauer gegen Fiskus, Wucher und Grossgrundbesitzer *direkt schützen*. Das können wir aber nicht mitmachen, weil es erstens dumm und zweitens unmöglich ist." Briefe und Auszüge aus Briefen von Johann Philipp Becker, Josef Dietzgen, Friedrich Engels, Karl Marx u. A. an F. A. Sorge und Andere (Stuttgart, 1906), p. 415.

<sup>3</sup> "Das Agrarprogramm, das mit einer plötzlichen Wendung den Anschluss an die Bewegung unter den Bauern herzustellen sucht, ist ein Stück dieser politischen Charlatanerie." Protokoll über die Verhandlungen des Parteitages zu Breslau, 1895, p. 110.

<sup>4</sup> "Der von der Agrarkommission vorgelegte Entwurf eines Agrarprogramms ist zu verwerfen. Denn dieses Programm stellt der Bauernschaft die Hebung ihrer Lage, also die Stärkung ihres Privateigenthums in Aussicht." *Ibid.*, p. 204.

the results were staggering. The small agricultural landholder was gaining ground. The doctrine of concentration of agriculture was disproved. The census showed that each hundred hectares of land under cultivation was divided among the following groups in the following proportions:

| SIZE OF HOLDING  | 1882  | 1895  | GAIN OR LOSS |
|------------------|-------|-------|--------------|
| Below 2 hectares | 5.73  | 5.56  | —0.17        |
| 2 —5 “           | 10.01 | 10.11 | +0.10        |
| 5 —20 “          | 28.74 | 29.90 | +1.16        |
| 20 —50 “         | 22.52 | 21.87 | —0.65        |
| 50 —100 “        | 8.57  | 8.48  | —0.09        |
| 100 —200 “       | 4.77  | 4.75  | —0.02        |
| 200 —500 “       | 9.92  | 9.47  | —0.45        |
| 500 —1000 “      | 7.52  | 7.40  | —0.12        |
| Over 1000 “      | 2.22  | 2.46  | —0.24        |

In words instead of figures, this table means that the middle-sized farms (20 hectares=nearly 50 acres) which can be taken care of by a peasant family without the help of wage labor are on the increase.<sup>1</sup> These data have impressed all unprejudiced economists as showing that the farmer who depends upon his family has a distinct advantage over the landowner who has to depend upon hired farmhands. The farms ranging from two to twenty hectares have gained in thirteen years not less than 659,259 hectares, while those ranging from twenty to one thousand hectares have actually lost 86,809 hectares.

The statistical data of other countries yield more or less the same results. No theory of concentration of agriculture or of the doom of the small farmer can be based, for example, on the figures given by our United States census reports:<sup>2</sup>

<sup>1</sup> Interesting in this respect are the conclusions drawn from the data of the German census by Professor Rauchberg in his article on “Entwicklungstendenzen der deutschen Volkswirtschaft” in *Archiv für soziale Gesetzgebung und Statistik* (1901), XII, 339 *et seq.* For a short digest of the census material relating to agriculture, see Dr. G. von Mayr’s *Allgemeines statistisches Archiv* (1898), V, 658–675.

<sup>2</sup> Abstract of the Twelfth Census of the United States, 1900 (Washington, 1902), p. 217.

| YEAR | NUMBER OF FARMS | NUMBER OF ACRES | AVERAGE NUMBER OF ACRES TO A FARM |
|------|-----------------|-----------------|-----------------------------------|
| 1900 | 5,737,372       | 838,591,774     | 146.2                             |
| 1890 | 4,564,641       | 623,218,619     | 136.5                             |
| 1880 | 4,008,907       | 536,081,835     | 133.7                             |
| 1870 | 2,659,985       | 407,735,041     | 153.3                             |
| 1860 | 2,044,077       | 407,212,538     | 199.2                             |
| 1850 | 1,449,073       | 293,560,614     | 202.6                             |

In America the average acreage is still too large for intensive cultivation, and with increasing land values we may confidently expect a very considerable decentralization.<sup>1</sup> For Holland, Bernstein<sup>2</sup> quotes the following data:

| SIZE OF FARMS<br>(IN HECTARES) | NUMBER OF FARMS |        | INCREASE OR<br>DECREASE | PERCENTAGE |
|--------------------------------|-----------------|--------|-------------------------|------------|
|                                | 1884            | 1893   |                         |            |
| 1-5                            | 66,842          | 77,767 | +10,925                 | +16        |
| 5-10                           | 81,552          | 94,199 | +62,647                 | +198.5     |
| 10-50                          | 48,278          | 51,940 | + 3,662                 | + 7.6      |
| Over 50                        | 3,554           | 3,510  | - 44                    | - 1.2      |

In Friedrich Hertz's instructive book a large amount of statistical material is to be found, all showing the non-existence of any tendency towards centralization of agriculture.<sup>3</sup>

Eduard David, the well-known socialist leader, who is unquestionably the most learned socialist authority on all agricultural questions, has come to the conclusion that the peasants are getting the better of the large landowners<sup>4</sup> and that their standard

<sup>1</sup> "Land values tend to rise with growing prosperity. A given capital thus represents a constantly diminishing acreage, and it becomes increasingly profitable to apply more labor and minor machines to small areas rather than large capital and vast machines to great areas. That is, we have a tendency to more intensive rather than large-scale farming." Seligman, *Principles of Economics*, p. 336.

<sup>2</sup> Voraussetzungen des Sozialismus, p. 62.

<sup>3</sup> F. O. Hertz, *Die agrarischen Fragen im Verhältniss zum Sozialismus* (Wien, 1899). See also Shippel's estimate of Hertz's book, "Hertz gegen Kautsky," *Sozialistische Monatshefte*, 1899, pp. 507-510.

<sup>4</sup> David, *Sozialismus und Landwirtschaft* (Berlin, 1903), I, 50, 51.

of life is rising rapidly, the agricultural life of today being a life of great comfort as compared with that of the preceding generation.<sup>1</sup> David, of course, is not an orthodox Marxian, but a "revisionist."

We see accordingly, that while concentration in industry and commerce is far from complete centralization, no tendency towards concentration exists in agriculture. Marxian socialism, as has been sufficiently shown, is not the scheme of would-be world-reformers. Socialism is to be the inevitable result of certain conditions and tendencies. It is to be the heir of capitalism. It will step into its heritage when capitalism has developed a centralized and socialized mode of production and has created a thoroughly proletarianized, class-conscious and revolutionary population. For this reason the figures and facts above presented are of vital significance to scientific socialism. If certain conditions and tendencies make socialism inevitable, do not the absence of these conditions and the existence of contrary tendencies make socialism impossible? True to the letter and true to the spirit of the Marxian doctrine was Kautsky when he wrote: "So long as the artisan feels himself to be an artisan, the peasant a peasant, the small trader a small trader, so long as they possess a strong class-consciousness, they must, no matter how ill they fare, steadfastly adhere to private ownership of the means of production and remain inaccessible to socialism."<sup>2</sup>

## V

The centralization of production in industry and agriculture has, according to Marx, a political side: it proletarianizes the masses. The economic development, therefore, not only paves the way technically for socialist production but also produces the political force that is to put an end to capitalism. Or, as

<sup>1</sup> David, *op. cit.*, I, 36.

<sup>2</sup> "So lange der Handwerker als Handwerker, der Bauer als Bauer, der Kleinhändler als Kleinhändler fühlt, so lange sie ein kräftiges Klassenbewusstsein haben, müssen sie an dem Privateigenthum an den Produktionsmitteln festhalten und dem Sozialismus unzugänglich sein, wie schlecht es ihnen auch gehen mag." Karl Kautsky, *Das Erfurter Program in seinen grundsätzlichen Theil erläutert* (2d ed., Stuttgart, 1892), p. 180.

Marx expresses himself: "Not only has the bourgeoisie forged the weapons that bring death to itself, it has also called into existence the men who are to wield those weapons, the modern working-class, the proletarians."<sup>1</sup>

We have seen in the preceding pages that so far as agriculture is concerned there is, if anything, a slight decentralization of production. Consequently the proletarianization of the farming class may be dismissed from consideration. In industry the situation is different. Here a substantial concentration has taken place, and it is claimed that the masses have been correspondingly or more than correspondingly proletarianized. Let us try to find out, therefore, exactly what is meant by "proletariat" and "proletarianization of the masses."

Marx tells us that "in proportion as the bourgeoisie, *i. e.* capital, is developed, in the same proportion is the proletariat, the modern working class, developed—a class of laborers who live only so long as they find work, and who find work only so long as their labor increases capital."<sup>2</sup> The official interpreter of present-day orthodox Marxism, Karl Kautsky, explains to us wherein the factory hands of today differ not only from the artisan and farmer of the past, who owned the means of production and were therefore independent, but also from the journeymen of the pre-capitalistic epoch. The latter, he says, "belonged to the family of the master, with the expectation of becoming some day masters themselves. The proletarian stands entirely on his own feet and is doomed to remain forever a proletarian."<sup>3</sup>

This Marxian conception of the proletarian as a modern product involves an idealization of the past. As a matter of fact, the little we actually know about the conditions which prevailed in mediæval industry gives us no intimation of a golden age, but rather a record of woe and distress. In making this statement I do not refer simply to the period of the so-called decay of the guild system, when the masters, as we are told, were primarily bent on exploiting the journeymen and keeping them out of the

<sup>1</sup> Communist Manifesto, p. 22.

<sup>2</sup> *Ibid.*

<sup>3</sup> Kautsky, Das Erfurter Programm, pp. 33, 34.

guilds; on the contrary, I include the entire epoch in which the guilds flourished. I see no necessity for differentiating this epoch into historical periods, because I can find no fundamental points of difference.<sup>1</sup> We all know that as early as the thirteenth and fourteenth centuries there were bitter struggles between the journeymen and the masters. The master blacksmiths of Frankfurt, first organized as a guild in 1377, entered in 1383 into an ironclad agreement with the guilds of Worms, Speyer, Mainz, Bingen and four or five other German cities to keep their journeymen in control and submission.<sup>2</sup> The same situation existed in other parts of Germany and in other European countries. In Danzig, for instance, the beginning of the struggle between masters and journeymen followed immediately upon the organization of the guilds. In 1385 the journeymen were striking and the city authorities were threatening to cut off their ears.<sup>3</sup> In France, the "family-relations" of masters and journeymen were characterized by strikes and riots, leading to bloodshed.<sup>4</sup> In Rheims, as early as 1292, the masters were enjoined from combining against their journeymen, and the latter from conspiring against their masters.<sup>5</sup> Nor does England show any lack of evidence that its journeymen regarded themselves as a separate class, antagonistic to the masters. As early as 1350 and 1362

<sup>1</sup> Germans of the historic romantic school have sacrificed their splendid learning to their *Nationalgefühl*. They have idealized their national past beyond the point of recognition. Their motives were of course estimable: Gierke, Schönberg, Stahl and the rest of them were scholarly patriots. But we that are not Germans have ever since been retailing a part of their learning and all their *Nationalgefühl*. The latter ought to have been left for German consumption.

<sup>2</sup> Cf. Schanz, *Gesellenverbände*, p. 42.

<sup>3</sup> Kulisher, *Evolucia pibili s kapitala* (1906), I, 419, 420: also Schönbank's article "Gesellenverbände" in the fourth volume of Conrad's *Handwörterbuch für die Staatswissenschaften*.

<sup>4</sup> "L'histoire des villes de Brie et de Champagne est fréquemment traversée par des crises intérieures qui rappellent les grèves et les émeutes de l'époque moderne. En 1280, les ouvriers drapiers de Provins, furieux de voir augmenter les heures de travail, se soulèvent et massacrent le maire. A Châlons, les événements n'eurent pas un caractère aussi tragique; pourtant le roi dut intervenir par lettres patentes en 1328, pour forcer les ouvriers à travailler le matinée et l'après-dinée." Étienne Martin-Saint-Leon, *Histoire des corporations de métiers* (Paris, 1897), p. 280.

<sup>5</sup> "Reims, un jugement arbitral de 1292 interdit les bans et alliances, tant entre ouvriers tisserands contre les maîtres qu'entre maîtres contre les ouvriers." *Ibid.*

London ordinances were adopted to put an end to journeymen's strikes.<sup>1</sup> Not only do we find in fourteenth-century England a special journeyman class, composed of workmen who have little hope of ever becoming masters, who are confronted with prohibitive entrance fees for admission into the mystery, but in some trades the masters have gone so far as to exact an oath from apprentices that they will not set up in business for themselves, even if they can, unless their masters shall give hereto their special consent. We see the legislature and town-council trying to intervene in favor of the journeymen. As Professor Ashley justly observes, "the evil must have been unendurable before the town council would interfere; for in most places the mysteries were so powerful that the municipal authorities were only too ready to support the master-craftsmen."<sup>2</sup>

Marx was not unaware of the difference between mediæval masters and journeymen when he was developing, in the opening lines of his *Manifesto*, his doctrine of class-struggle; but whenever he discussed the city proletariat as a product of modern capitalism, totally and fundamentally differing from any working class in the past, he ignored the extent to which those journeymen were a class.

In some degree, however, Marx's failure to distinguish between masters and journeymen in the middle ages is justifiable. The difference in the economic well-being between the so-called independent master, the possessor of the so-called "means of production," and his dependent hired men was slight. We have the English laws and regulations concerning wages from 25 Edward III (1350). These regulations fixed the maximum wage for laborers and artificers. The employer who should pay,

<sup>1</sup> "Whereas, heretofore, if there was any dispute between a master in the trade and his man (vadlett), such man has been wont to go to all the men within the city of the same trade, and then, by covin and conspiracy between them made, they would order that no one among them should work or serve his own master, until the said master and his servant or man had come to an agreement; by reason whereof the masters in the said trade have been in great trouble, and the people left unserved; it is ordained, that from henceforth, if there be any dispute moved between any master and his man in the trade, such dispute shall be settled by the wardens of the trade." W. J. Ashley, *Introduction to English Economic History and Theory* (New York, 1893), II, 104.

<sup>2</sup> *Ibid.*, p. 105.

as well as the artisan who should demand and receive, higher wages than those enacted were to be fined and severely punished. The schedules of wages were revised and changed by successive legislatures, and afford therefore an insight into the actual economic conditions and standard of living of those independent producers of the middle ages who appeal so strongly to our imagination. From the Statute of Laborers we learn that the artisans were to be sworn twice a year to observe the regulations. Their wages were settled in 1350 in the following proportion:<sup>1</sup>

*From Easter to Michaelmas, without Diet*

|                                                                |      |
|----------------------------------------------------------------|------|
| A master carpenter by the day . . . . .                        | 3d   |
| A master free mason by the day . . . . .                       | 4d   |
| Other carpenters by the day . . . . .                          | 2d   |
| Other masons by the day . . . . .                              | 3d   |
| Their servants by the day . . . . .                            | 1 ½d |
| Tilers by the day . . . . .                                    | 3d   |
| Their knaves by the day . . . . .                              | 1 ½d |
| Other coverers of fern and straw by the day . . . . .          | 3d   |
| Their knaves by the day . . . . .                              | 1 ½d |
| Plasterers and other workers of mud-walls by the day . . . . . | 3d   |
| Their knaves by the day . . . . .                              | 1 ½d |

The purchasing power of these wages is indicated by the allowance made for food, *i. e.*, by the difference of the wages of artisans with and without diet. For the following century, when wages were somewhat higher, we have wage lists showing this difference, and the cost of food per day for one man or woman is taken to be from three half-pennies to two pence, usually two pence. Here is the wage list of the year 1496, with and without diet:<sup>2</sup>

<sup>1</sup> Cf. Sir Frederick Morton Eden, *The State of the Poor, or an History of the Labouring Classes in England* (London, 1797), I, 33. "In 1360 the Statute of Labourers was confirmed by Parliament, and the observance of it enforced under penalty of imprisonment for fifteen days and burning in the forehead with an iron in the form of the letter F." *Ibid.* p. 36.

<sup>2</sup> *Ibid.* p. 75.

|                                                           | <i>From Easter<br/>to Michaelmas</i> | <i>From Michaelmas<br/>to Easter</i>                                |
|-----------------------------------------------------------|--------------------------------------|---------------------------------------------------------------------|
| A free mason                                              | }                                    |                                                                     |
| A master carpenter                                        |                                      |                                                                     |
| A rough mason                                             |                                      |                                                                     |
| A bricklayer                                              |                                      |                                                                     |
| A master tiler                                            |                                      | with diet 4d    with diet 3d                                        |
| A plumber                                                 |                                      | without diet 6d    without diet 5d                                  |
| A glazier                                                 |                                      |                                                                     |
| A carver                                                  |                                      |                                                                     |
| A joiner                                                  |                                      |                                                                     |
| Other labourers (except in har-<br>vest)                  | }<br>}                               | with diet 2d    with diet 1½d<br>without diet 4d    without diet 3d |
| Master carpenters and masons<br>having under them six men | }<br>}                               | with diet 5d<br>without diet 7d                                     |

*In Harvest*

|                                  |        |         |     |
|----------------------------------|--------|---------|-----|
| Every mower by the day with diet | 4d,    | without | 6d  |
| A reaper                         | " 3d,  | "       | 5d  |
| A carter                         | " 3d,  | "       | 5d  |
| A woman and other labourers      | " 2½d, | "       | 4½d |

The master, we observe, when employed, is allowed three times the cost of his own food for the feeding of himself, wife and family, housing, clothing and other necessities—a standard of life to which the proletarian of today has no cause to look back with envy or regret.

The wages in other trades are similar.

|                                                                               | <i>With meat<br/>and drink</i> | <i>Without meat<br/>and drink</i> |
|-------------------------------------------------------------------------------|--------------------------------|-----------------------------------|
| A master ship carpenter having charge of<br>the work and having men under him | 5d                             | 7d                                |
| Another ship-carpenter called a hewer                                         | 4d                             | 6d                                |
| An able clincher                                                              | 3d                             | 5d                                |
| An holder                                                                     | 3d                             | 5d                                |
| A master caulker                                                              | 4d                             | 6d                                |
| Another mean caulker                                                          | 3d                             | 5d                                |
| A caulker laboring by the tide, for every<br>tide                             | 4d                             |                                   |

From Michaelmas to Candlemas the wages of these artificers are to be 1d a day less.

The wages gradually increased, but it is doubtful if they increased more rapidly than the cost of living. Sir George Nicholls gives us the following table:

|                         |             | 1495       | 1593       | 1610        |
|-------------------------|-------------|------------|------------|-------------|
| Artificers without diet | { in summer | 6 <i>d</i> | 8 <i>d</i> | 10 <i>d</i> |
|                         | { in winter | 5 <i>d</i> | 7 <i>d</i> | 8 <i>d</i>  |
| Labourers without diet  | { in summer | 4 <i>d</i> | 5 <i>d</i> | 7 <i>d</i>  |
|                         | { in winter | 3 <i>d</i> | 4 <i>d</i> | 6 <i>d</i>  |

His comment upon these figures is:

On the whole, then, it may, I think, be assumed that at the end of Elizabeth's reign, notwithstanding the increase which had taken place in the price of all commodities, the great mass of the English people were able, by a due exercise of industry, to obtain as large an amount of subsistence and physical enjoyment as at any former period.<sup>1</sup>

The alleged welfare of the laboring class of the past as compared with our proletariat of to-day may therefore be seriously questioned. But in the course of centuries certain relations and regulations had worked themselves out, which insured at least the bare existence of the master and of the laboring man. The industrial revolution brushed aside all the old regulations, substituting for them "industrial liberty." The modern proletariat is a legitimate child of this industrial liberty, which for a few decades seriously aggravated the conditions of the laboring population. The industrial transformation, the centralization of scattered industry and the resultant concentration of workingmen in large cities tended to consolidate this laboring population into a class and added greatly to its political significance.

The dynamic conception of society and its structure—the conviction that no type of social order is permanent and immutable, that the social order is subject to change and rational improvement—this conception, foreign to the modern world before the eighteenth century and the French Revolution, opened new vistas and possibilities to the laboring men as well as to their

<sup>1</sup> Sir George Nicholls, *A History of the English Poor Law in connection with the State of the Country and the Condition of the People* (new edition, New York, 1898), vol. i, pp. 204–225. See also pp. 79–81, 100, 101, 135, 155, 269–271 and 356.

masters. They were allies without distinction in their struggle in the name of democracy, against the old feudal order. But very soon the hopes and prophecies of democracy were differentiated. The interpretations put upon the word varied so greatly that those differing in its interpretation began to regard each other as belonging to a dangerous and undesirable class. Is it not natural that men who are tied during the long day to a machine in the factory, and who sleep in dingy tenements, should look forward to something better; that men who have so little else should have a wealth of hope? In their visions the laboring masses of today certainly differ from the *plebs misera* of past centuries. Their aspirations stamp them as a modern product. Their hope, industrial democracy, is based on a reasonable expectation that the political efforts of enfranchised citizens will result in ultimate success. The industrial proletariat of today is therefore not so much a new economic entity as a new politico-psychological element in our body politic.<sup>1</sup> If the sole characteristic of an industrial proletariat were poverty, there would be nothing new in the proletariat of today. The poverty in Merry

<sup>1</sup> It is almost incredible that a man like Sombart, who made a reputation as an exponent of the proletarian movement and its theory, should in his recent booklet give the following characteristic of the proletarian: "Der Proletarier weiss ebenso wenig von einer Dorf- und Geschlechtergemeinschaft wie von einer Familiengemeinschaft, ebenso wenig von einer Berufsgemeinschaft wie von einer Arbeitsgemeinschaft. Er ist vereinzelt, vereinsamt, mit seinen Genossen nicht enger verbunden als das einzelne Sandkorn mit dem andern im grossen Sandhaufen. Wie ein vom Baum gewehtes Blatt das der Wind über die Fluren treibt." Werner Sombart, *Das Proletariat: Bilder und Studien*, p. 14. If this were true, there would be no proletarian movement. In an earlier book Sombart gave us a more sensible description of the psychological makeup of the proletariat: "In the tenement houses, the huge manufactories, the public houses for meetings and for pleasures, the individual proletarian, as if forsaken by God and man, finds himself with his companions in misery again together, as members of a new and gigantic organism. Here are new societies forming, and the new communities bear the communistic stamp, because of modern methods of work. And they develop, grow, establish themselves in the mass of men, in proportion as the charm of separate existence fades from the individual; the more dreary the attic room in the suburb of the city, the more attractive is the new social centre in which the outcast finds himself again treated as a man. The individual disappears, the companion emerges. A uniform class consciousness matures itself, also the habit of communal work and pleasure. So much for the psychology of the proletariat." Sombart, *Socialism and the Social Movement of the Nineteenth Century*, translated by Anson P. Atterbury (Chicago, 1902), pp. 14, 15.

England was appalling, but England was merry; we are told that in one reign 70,000 paupers and vagabonds were executed, but we are not told that it made any political impression. It is not uninteresting to note that two of the ablest Russian statesmen of the time of Nicholas I, Count Kisseleff and Count Cancrin, argued in favor of agricultural poverty as compared with industrial wealth, because of fear of the political significance of an industrial proletariat.<sup>1</sup> Recent history has proved that, from their point of view, they were right. Not the starving millions of peasantry but the comparatively small industrial proletariat has precipitated and carried on the Russian revolution.

In gathering scattered production modern industry has gathered and united the scattered workers; and in so far as these men work and live under the same conditions and have the same interests they are bound to develop a comradeship and fellow-feeling which could not flourish in the same degree in the past. In this sense it is quite true, that with the advent of modern industry a new economic and political element, the industrial proletariat, has made its appearance. The significance of the proletariat as a class will be discussed later. For the moment we are occupied with the Marxian view of the "proletarianisation of the masses."

In 1847, when German industry was in its beginnings, Marx informed us, in his *Manifesto*, that the proletariat class formed the great majority of the people. "All previous historical movements," he wrote, "were movements of minorities, or in the interest of minorities. The proletarian movement is the self-conscious, independent movement of the immense majority, in the interest of the immense majority."<sup>2</sup> What is meant here by the "proletariat"? Simply poor people? Not today only, but throughout the historic period of our society the poor people have constituted the overwhelming majority. But that could scarcely encourage Marx. What reason had he to suppose that

<sup>1</sup> [Cancrin] *Die Oekonomie der menschlichen Gesellschaften und das Finanzwesen, von einem ehemaligen Finanzminister* (Stuttgart, 1845), pp. 59, 60. Cf. Zablocki-Dessyatkovski, Count Kisseleff and his Times (St. Petersburg, 1882), II, 199.

<sup>2</sup> *Communist Manifesto*, p. 30.

in the future this majority would feel and act otherwise than it had felt and acted in the past?<sup>1</sup>

Marx fully realized that poverty as such creates no radical or revolutionary class. The defeat of the socialist projects of the Paris proletariat and the election of a Louis Bonaparte were ascribed by Marx himself to the poor French peasantry.<sup>2</sup> The *Lumpenproletariat*, also the pauper and dependent class, Marx himself excluded from the proletarian army, and for good reasons: "The social scum, that passively rotting mass thrown off by the lowest layers of an old society, may, here and there, be swept into the movement by a proletarian revolution; its conditions of life, however, prepare it far more for the part of a bribed tool of reactionary intrigue."<sup>3</sup> It is obvious, therefore, that Marx, in talking about the proletariat, has in mind men and women employed in capitalistic industry. Now in 1895, nearly half a century after the *Manifesto* was published, the number of men and women employed in all capitalistic enterprises, in industry, commerce and transportation, was, according to Sombart's calculation, based on the German census, 3,921,571. Deducting from this number the employees of an obviously non-proletarian grade, managers, superintendents, higher em-

<sup>1</sup> That the majority is but a beast of burden in spite of its apparent power, Marx's seventeenth-century forerunner, Campanella had said in a sonnet worth quoting:

Il popolo è una bestia varia e grossa,  
Ch' ignora le sue forze; e però stassi  
A pesi e botte di legni e di sassi,  
Guidato da un fanciul che non ha possa,  
Che' gli potria disfar con una scossa:  
Ma lo teme, e lo serve a tutti spassi,  
Nè sa quanto è temuto, chè i bombassi  
Fanno un incanto, che i sensi gl'ingrossa.  
Cosa stupenda! E' s'appicca e imprigina  
Con le man proprie, e si dà morte e guerra  
Per un carlin di quanti egli al re dona.  
Tutto è suo quanto stà fra cielo e terra:  
Ma no'l, conosce; e se qualche persona  
Di cio l'avvisa, e luccide ed atterra.

Opere di Tommaso Campanella, scelte da Alessandro Ancona (Torino, 1854), p. 79.

<sup>2</sup> Marx, *The Eighteenth Brumaire of Louis Bonaparte*, translated by Daniel De Leon (New York, 1898), p. 71.

<sup>3</sup> *The Communist Manifesto*, p. 29.

ployees, officials *etc.*, he estimates that the rest number about three and one-half millions, or about thirteen to fourteen per cent of the population.<sup>1</sup> Accordingly, even now, a movement that should include the whole of the industrial proletariat would still be far from being a movement of the "immense majority."

But we are told that the masses are rapidly being proletarianized, that the middle class is rapidly sinking in the proletariat. "As we have already seen," so ran the statement of the *Manifesto*, "entire sections of the ruling classes are, by the advance of industry, precipitated into the proletariat, or are at least threatened in their conditions of existence. These also supply the proletariat with fresh elements of enlightenment and progress."<sup>2</sup> What makes socialism inevitable, Engels tells us, is on the one hand the concentration of capital in the possession of a few and on the other hand the concentration of the propertyless masses in the large cities.<sup>3</sup> Here is the core of Marxian socialism. Not only is the middle class gradually being wiped out, but the lesser capitalists are gradually being reduced to proletarian existences, swallowed up by the greater capitalists. Thus the capitalist band becomes smaller and smaller, while the army of the proletariat grows by thousands and by millions. And while capital is thus being concentrated in few hands, industry becomes more and more socialized on a national, even international basis. A socialized mode of production is then already in existence, and all that remains for the complete establishment of a socialist commonwealth is the expropriation of the few capitalists by the mass of the people. Socialized production is transformed by a simple political act into socialized property. But, on so important a point, let Marx speak for himself:

As soon as this process of transformation has sufficiently decomposed the old society from top to bottom, as soon as the laborers are turned into proletarians and their means of labor into capital, as soon as the

<sup>1</sup> Sombart, *Das Proletariat*, p. 5.

<sup>2</sup> *The Communist Manifesto*, p. 28.

<sup>3</sup> Engels, *Landmarks of Scientific Socialism (Anti-Duehring)*, translated by A. Lewis (Chicago, 1907), p. 179.

capitalist mode of production stands on its own feet, then the further socialization of labor and further transformation of the land and other means of production into socially exploited and therefore common means of production, as well as the further expropriation of private proprietors, takes a new form. *That which is now to be expropriated is no longer the laborer working for himself, but the capitalist exploiting many laborers. This expropriation is accomplished by the action of the immanent laws of capitalistic production itself, by the centralization of capital. One capitalist always kills many.*<sup>1</sup> Hand in hand with this centralization, or this expropriation of many capitalists by few, develop, on an ever-extending scale, the coöperative form of the labor-process, the conscious technical application of science, the methodical cultivation of the soil, the transformation of the instruments of labor into instruments of labor only usable in common, the economizing of all means of production by their use as the means of production of combined, socialized labor, the entanglement of all peoples in the net of the world-market, and with this, the international character of the capitalist régime. *Along with the constantly diminishing number of the magnates of capital,*<sup>2</sup> who usurp and monopolize all advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation; but with this too grows the revolt of the working class, a class always increasing in numbers and disciplined, united, organized by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production which has sprung up and flourished along with and under it. Centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalistic private property sounds. The expropriators are expropriated . . . The transformation of scattered private property, arising from individual labor, into capitalistic private property is, naturally, a process incomparably more protracted, violent and difficult than the transformation of capitalistic private property, already practically resting on socialized production, into socialized property. In the former case, we had the expropriation of the mass of the people by a few usurpers; in the latter, we have the expropriation of a few usurpers by the mass of the people.<sup>3</sup>

<sup>1</sup> Italics are mine.

<sup>2</sup> Italics mine.

<sup>3</sup> Marx, Capital (English translation, 4th edition, London, 1891), I, 788, 789.

If Marx has correctly formulated the economic tendency, if capital tends invariably towards concentration in the hands of a narrowing circle of magnates while the rest of the population is rapidly being proletarianized, it is really marvelous that a social revolution has not yet overtaken this iniquitous system, to which practically the whole of the people must be opposed. If the capitalistic class, which alone has any real interest in the protection of property, is rapidly diminishing; if the future has nothing in store for the self-respecting middle class but misery and degradation; then indeed it takes no prophet to foretell that the title of the few magnates to their wealth is not worth the paper on which it is written. Then indeed are the days of the present economic organization numbered; and Bebel was quite right when, in addressing his party convention in 1891, he declared: "Yes, I am convinced that the realization of our ultimate aims is so near that there are but few in this hall who will not live to see that day."<sup>1</sup>

Let us however test the abstract proposition by the facts. Let us take, for example, the Prussian income statistics. The Prussian statistics, as we all know, are relatively the most accurate in existence.<sup>2</sup> In Prussia we have data of a graduated income tax for over half a century, coinciding with the period of the most rapid industrial transformation. These data, it is obvious, are especially valuable for our purpose.

From the point of view of income the German population is usually divided into three groups: a lower class, a middle class and an upper class. Each of these three classes are subdivided into three strata: a lower, a middle and an upper. They represent the following individual yearly incomes:

<sup>1</sup> Protokoll über die Verhandlungen des Parteitagcs der socialdemokratischen Partei Deutschlands, abgehalten zu Erfurt, 1891, p. 172.

<sup>2</sup> All the figures given below are taken from the two monographs of Adolph Wagner, published in the *Zeitschrift des Königlich Preussischen Statistischen Bureau* (Berlin, 1904), vol. 44, pp. 41-122; and 229-267: "Zur Methodik der Statistik des Volkseinkommens und Volksvermögens, mit besonderer Berücksichtigung der Steuerstatistik" and "Weitere statistische Untersuchungen über die Verteilung des Volkseinkommens in Preussen auf Grund der neuern Einkommensteuerstatistik (1892-1902)."

|                   |   |                     |                         |
|-------------------|---|---------------------|-------------------------|
| I. Lower class.   | { | lower stratum up to | 500 marks. <sup>1</sup> |
|                   |   | middle “            | 500 to 900 “            |
|                   |   | upper “             | 900 to 2100 “           |
| II. Middle class. | { | lower “             | 2,100 to 3,000 “        |
|                   |   | middle “            | 3,000 to 6,000 “        |
|                   |   | upper “             | 6,000 to 9,500 “        |
| III. Upper class. | { | lower “             | 9,500 to 30,500 “       |
|                   |   | middle “            | 30,500 to 100,000 “     |
|                   |   | upper “             | over 100,000 “          |

The following table shows, at ten periods during the fifty years 1853–1902, the absolute number of persons in the upper stratum of the lower class and the lower stratum of the middle class, and the absolute number and percentage of persons in the middle and upper strata of the middle class and in the upper class. All the figures given in the first three columns are thousands (000 omitted).

| YEAR         | POPULATION | NUMBER TAXED ON INCOMES |                 | PERCENTAGE TAXED ON INCOMES OVER 3000 MARKS |
|--------------|------------|-------------------------|-----------------|---------------------------------------------|
|              |            | 900 TO 3000 MARKS       | OVER 3000 MARKS |                                             |
| 1853 . . . . | 16,870     | 825                     | 44.4            | 0.263                                       |
| 1867 . . . . | 19,157     | 963                     | 72.9            | 0.380                                       |
| 1870 . . . . | 23,909     | 1,319                   | 106.4           | 0.445                                       |
| 1873 . . . . | 24,644     | 1,370                   | 123.3           | 0.500                                       |
| 1878 . . . . | 25,748     | 1,356                   | 167.3           | 0.650                                       |
| 1882 . . . . | 26,820     | 1,304                   | 162.6           | 0.683                                       |
| 1891 . . . . | 29,456     | 1,743                   | 254.3           | 0.863                                       |
| 1892 . . . . | 29,895     | 2,119                   | 316.9           | 1.060                                       |
| 1896 . . . . | 31,349     | 2,321                   | 331.1           | 1.057                                       |
| 1902 . . . . | 35,551     | 3,310                   | 449.7           | 1.301                                       |

The absolute number of middle and upper-class tax-payers in the same years are given in the following table. The figures in the first column are thousands.

<sup>1</sup> Incomes below 500 marks are now extremely rare in Germany; they represent as a rule the lower agricultural laboring class. In the 500–900-marks group belong the poor peasantry and the poorly-paid workingmen. The 900–2100-marks group includes clerks and salesmen, skilled workingmen, younger officials, public school teachers, well-to-do peasants, artisans and petty store and saloon-keepers. Specially skilled mechanics are often found in the lower stratum of the middle-class group with incomes of 2100–3000 marks.

| YEAR     | MIDDLE CLASS INCOMES |              |              |                | UPPER CLASS INCOMES |              |
|----------|----------------------|--------------|--------------|----------------|---------------------|--------------|
|          | 2100 TO 3000         | 3000 TO 6000 | 6000 TO 9500 | 9500 TO 30,500 | 30,500 TO 100,000   | Over 100,000 |
| 1853 . . | 46.9                 | 32,003       | 7,239        | 4,463          | 640                 | 62           |
| 1867 . . | 81.1                 | 50,966       | 12,224       | 8,211          | 1,348               | 144          |
| 1870 . . | 112.4                | 75,851       | 17,434       | 11,027         | 1,911               | 199          |
| 1873 . . | 119.6                | 85,603       | 20,813       | 13,650         | 2,815               | 423          |
| 1878 . . | 153.5                | 121,071      | 25,350       | 17,457         | 3,054               | 375          |
| 1882 . . | 150.0                | 131,310      | 27,958       | 19,580         | 3,403               | 434          |
| 1891 . . | 185.1                | 180,862      | 38,275       | 28,776         | 5,442               | 915          |
| 1892 . . | 223.4                | 204,544      | 55,561       | 46,092         | 9,034               | 1658         |
| 1896 . . | 260.1                | 214,960      | 57,859       | 47,308         | 9,265               | 1699         |
| 1902 . . | 321.3                | 291,341      | 77,638       | 64,737         | 13,205              | 2762         |

We see from these figures how utterly unwarranted is the idea of the proletarianization of the middle class. With all due allowance for the increased cost of living, we find the number of the well-to-do absolutely and relatively to the whole population on the increase. The same is true about the very rich.

The following little table gives the growth of the multimillionaire incomes in Prussia during the same period.

| YEAR           | INCOMES            |                      |                        |                |
|----------------|--------------------|----------------------|------------------------|----------------|
|                | 100,000 TO 500,000 | 500,000 TO 1,000,000 | 1,000,000 TO 2,000,000 | OVER 2,000,000 |
| 1853 . . . . . | 60                 | 2                    |                        |                |
| 1867 . . . . . | 135                | 9                    |                        |                |
| 1870 . . . . . | 187                | 12                   |                        |                |
| 1873 . . . . . | 391                | 32                   |                        |                |
| 1875 . . . . . | 399                | 18                   | 4                      | 4              |
| 1882 . . . . . | 407                | 22                   | 2                      | 3              |
| 1891 . . . . . | 859                | 43                   | 8                      | 5              |
| 1892 . . . . . | 1555               | 72                   | 27                     | 4              |
| 1896 . . . . . | 1596               | 76                   | 20                     | 7              |
| 1902 . . . . . | 2594               | 108                  | 44                     | 16             |

Marx's formula "One capitalist always kills many," can hardly be regarded as a statement of fact. In 1854 Berlin had only six men possessing over three million marks; in 1900 it had 639 in

this class. In 1854 there were in Berlin 23 men worth a million and a half each; in 1900 there were 1323 in this group. And with all due respect to German honesty, it is well to remember that men are not likely to overestimate either their income or the value of their property when it comes to paying taxes.

The English income statistics present greater difficulties, owing to their arrangement in schedules, every taxpayer declaring his income on different schedules according to its character and source. If we take the incomes assessed under Schedule D, incomes from trades and professions, we find for the decade 1877-1886 the following changes:

| INCOMES                      | 1877    | 1886    | PERCENTAGE OF CHANGE |
|------------------------------|---------|---------|----------------------|
| Between £150 and £1000 . . . | 317,939 | 379,064 | +19.26               |
| £1000 and upwards . . . . .  | 22,848  | 22,298  | -2.40                |

These figures led Goshen, then chancellor of the Exchequer, to enunciate the thesis of a decentralization of wealth. It was however a period of depression. The data of tax assessments under Schedule D for the following decade do not show the same ultra-democratic tendency.

| INCOMES                         | 1888-89 | 1893-94 | PERCENTAGE OF CHANGE |
|---------------------------------|---------|---------|----------------------|
| £150 and under £500 . . . . .   | 347,520 | 362,048 | +4.18                |
| £500 and under £1000 . . . . .  | 31,084  | 32,737  | +5.32                |
| £1000 and under £5000 . . . . . | 18,665  | 20,431  | +9.46                |
| £5000 and over . . . . .        | 2,965   | 3,149   | +6.21                |

| INCOMES <sup>1</sup>                      | 1894-95 | 1897-98 | PERCENTAGE OF CHANGE |
|-------------------------------------------|---------|---------|----------------------|
| Exceeding £160 and not exceeding £500 .   | 278,370 | 306,200 | +10.00               |
| Exceeding £500 and not exceeding £1000 .  | 26,790  | 27,779  | + 3.69               |
| Exceeding £1000 and not exceeding £5000 . | 17,146  | 18,113  | + 5.64               |
| Exceeding £5000 and over . . . . .        | 2,785   | 3,141   | + 2.78               |

<sup>1</sup> Note the change of the lower limit from £150 to £160.

These fluctuations of incomes from trades and professions under Schedule D do not substantiate Goshen's premature thesis of the decrease of great wealth, but they undoubtedly indicate a steady growth of the middle class. It must be borne in mind that these figures do not include the incomes of the taxpayers as shareholders of companies, whose profits are assessed in the lump. And the army of stockholders presents a steady and enormous growth. In 1887 Goshen wrote:

I have examined the figures of twelve companies, taken entirely at random—an insurance company, a water-works company, an industrial company, and so forth, and I have compared their capital and the number of shareholders ten years ago with the capital and the number of shareholders at present. Here is the result: the total paid-up capital of the twelve companies in 1876 was £5,171,649; in 1886 it had become £6,501,582, an increase of 25 per cent. But the shareholders in them had increased during the same ten years from 11,667 to 20,083, an increase of 72 per cent.<sup>1</sup>

Here we come to a point which Marx has obviously overlooked: the economic significance of the joint stock company. The assumption that centralization of industry signifies centralization of ownership and capital is false. The opposite is the economic tendency; and this fact is acknowledged by such enlightened and scholarly socialists as Eduard Bernstein.<sup>2</sup> In England, in recent years, numbers of smaller firms have been merged in larger stock companies. On April 1, 1904, there were 37,287 such stock companies registered in England, many of these companies representing consolidations of a number of industrial or commercial firms, but the organization as joint stock companies meant a wider distribution of both income and ownership. Here is an example:

<sup>1</sup> Viscount Goshen, *Essays and Addresses on Economic Questions* (London, 1905), pp. 231, 232.

<sup>2</sup> Eduard Bernstein, *Die heutige Einkommensbewegung und die Aufgabe der Volkswirtschaft* (Berlin, 1902). See especially chapter iii (pages 24-32) on "Die Concentrierung der Unternehmungen und die Dezentralisierung der Eigentumstitel."

| NAME OF COMPANY              | CAPITALIZATION | STOCKS RETAINED BY THE VENDORS | NUMBER OF FIRMS AMALGAMATED | NUMBER OF STOCKHOLDERS |
|------------------------------|----------------|--------------------------------|-----------------------------|------------------------|
| Fine Cotton Spinners . . . . | £4,000,000     | £1,333,350                     | 31                          | 3,934                  |
| Bradford Coal Dyers . . . .  | 3,000,000      | 1,000,000                      | 22                          | 10,731                 |
| Bradford Coal Merchants . .  | 199,790        | 119,790                        | 8                           | 237                    |
| Aberdeen Comb Works . . .    | 300,000        | 133,333                        | 3                           | 677                    |
| Cooper, Cooper and Johnson.  | 340,000        | 70,000                         | 3                           | 2,082                  |
|                              | £7,839,790     | £2,656,473                     | 67                          | 17,661                 |

Instead of 67 firms, 17,661 stockholders. True, about one-third of stock, probably sufficient to ensure the control of the enterprises, was retained by the original firms, but the remaining two-thirds were distributed. The members of the original 67 firms have probably become employees of the five new companies; but the change in their position is hardly to be viewed as a case of "proletarianization," since, in addition to their salaries as company employees, they are receiving dividends on two and a half millions' worth of stock. The above example is characteristic of the whole recent industrial development. In five English brewing concerns we find that the stock is held by 27,052 persons. "Thomas Lipton," the grocery trust, has 74,262 shareholders; "Spiers and Pond" in London has 4650 stockholders, and of these but 550 hold more than £500 worth of stock.

The development of stock companies explains why the number of moderate incomes from trades and professions, taxed under Schedule D, has not recently increased as rapidly as in the seventies and eighties. A large number of small tradesmen formerly assessed under Schedule D are now assessed as employees of public companies under Schedule E.<sup>1</sup> If we exclude from this schedule the eighty-odd thousand army, navy and civil-service employees, we find that the number of employees of corporate bodies and of public companies increased more than one hundred per cent in fifteen years. The figures are:

<sup>1</sup> Goshen, *op. cit.*, p. 249.

|                       |                                    |                       |
|-----------------------|------------------------------------|-----------------------|
| 1888-89 . . . 130,862 | 1894-95 . . . 155,752 <sup>1</sup> | 1898-99 . . . 223,391 |
| 1893-94 . . . 166,161 | 1897-98 . . . 187,240              | 1902-03 . . . 272,500 |

The same rapid growth of the army of stockholders is to be found in the United States. Some of our principal railroads, for example, show the following increases in the numbers of shareholders during the last four years:

|                               | 1904   | 1908   |
|-------------------------------|--------|--------|
| Pennsylvania . . . . .        | 42,100 | 59,600 |
| Atchison . . . . .            | 17,800 | 25,000 |
| New York Central . . . . .    | 11,700 | 22,000 |
| Union Pacific . . . . .       | 14,200 | 15,000 |
| Southern Pacific . . . . .    | 4,400  | 15,000 |
| Great Western . . . . .       | 5,900  | 10,000 |
| Erie . . . . .                | 4,300  | 10,000 |
| Delaware and Hudson . . . . . | 3,800  | 5,800  |
| Norfolk and Western . . . . . | 2,900  | 4,500  |
| Chesapeake and Ohio . . . . . | 1,500  | 2,600  |

The American railroads count today about half a million stockholders as against 350,000 five years ago. The same decentralizing tendency is discernible in our industrial companies. The United States Steel Corporation counts today about 110,000 stockholders; the Bell Telephone, 24,100; American Sugar, 20,000; Amalgamated Copper, 18,000; Pullman, 13,000. The total number of American shareholders is now estimated to be about 2,000,000.

Thus, wherever we look, we find a steady increase of the middle class. In 1851 there were in England about 300,000 persons with an income of £150-1000, in 1881, about 990,000. While the population during that period increased in the ratio of 27:35, the English middle class increased in the ratio of 27:90, *i. e.* 233 per cent. In 1898 Bernstein estimated the number of middle-class taxpayers at a million and a half.<sup>2</sup> Not only has the middle class, whose extermination is so essential to the triumph

<sup>1</sup> This decrease is due to the raising of the exemption limit from £150 to £160.

<sup>2</sup> Bernstein, *Die Voraussetzungen des Sozialismus und die Aufgaben der Sozialdemokratie* (Stuttgart, 1899), p. 49.

of socialism, greatly increased,<sup>1</sup> but so have the numbers of co-partners of the great capitalistic enterprises—the army of stockholders, enlisted in the defence of capital and of vested interests.<sup>2</sup> It has been argued that Marx's analysis of our capitalist system was based on the assumption of free competition and failed to take into account the economic effects of corporate methods of business, and that, if competition were unchecked and there were no joint stock companies, the concentration of capital in the hands of the few and the proletarianization of the middle class would be unavoidable. Possibly this is true; but it is not particularly useful to consider how different things would be if things had been different. The fact remains that the economic development has taken a turn which Marx did not foresee; and Karl Kautsky remained a true exponent of orthodox Marxism, when he exclaimed, at the Stuttgart Socialist Convention:

Yes, if that is true, then not only is the day of our victory ever to be postponed, but we can never reach our aim. If capitalists are on the increase and not the propertyless, then the development is setting us back further and further from our goal, then capitalism intrenches itself and not socialism, then our hopes will never materialize!<sup>3</sup>

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(*To be continued.*)

<sup>1</sup>“Wie steht es nun aber thatsächlich mit der Einkommenbewegung auf die Classe der Reichen? Soweit wir eine Statistik darüber haben, zeigt sie uns in allen modernen Ländern *statt einer Verengerung eine Erweiterung des Kreises der Reichen.*” Bernstein, *Die heutige Einkommenbewegung* (1902), p. 21.

<sup>2</sup>“Das Heer der Aktionäre bildet heute in jeder Hinsicht, politisch und sozial, die Schutzgarde des Kapitals. Was wäre die Handvoll Magnaten ohne den Hunderttausende zählenden Tross der mittleren und kleineren Aktionäre? Was könnten sie gegen die öffentliche Meinung? Nichts! Der erste Sturm würde ihren Widerstand brechen. Aber zusammen mit den Halben-, Viertels-, Achtelsmagnaten bilden oder beherrschen sie das, was man die öffentliche Meinung nennt.” Bernstein, *Die heutige Socialdemokratie in Theorie und Praxis* (München, 1906), p. 32.

<sup>3</sup>Protokoll über die Verhandlungen des Parteitages der sozialdemokratischen Partei Deutschlands, abgehalten zu Stuttgart, 1898, p. 128.